



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION
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MEMORANDUM

June 10, 2019

TO: The Chairman and Members of the Commission

FROM: Joshua Bowman, Public Utility Analyst

SUBJECT: IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC. FOR AUTHORITY TO IMPLEMENT A DSIC RATE EFFECTIVE JULY 1, 2019 PURSUANT TO 26 DEL. C. § 314 (b) (5).
(FILED MAY 29, 2019 – PSC DOCKET NO. 19-0349)

On July 9, 2001, the General Assembly and the Governor enacted 26 *Del. C.* § 314, which permits water utilities to impose a Distribution System Improvement Charge (“DSIC Rate”) during the period between full rate case proceedings. The DSIC Rate recovers a return on the water utility’s eligible capital improvements and its associated depreciation expenses. Eligible capital improvements include non-revenue producing plant that is in service and not already included in rate base and are:

1. Replacement water plant, such as mains, services, meters, or hydrants that are worn out, deteriorated, or had negative impacts on water quality or reliability of service;
2. Extensions to eliminate dead ends which were negatively impacting water quality or reliability of service;
3. Relocations of facilities due to government actions such as highway relocations;
4. Water plant projects identified in the Governor’s Task Force Report concerning adequate water supplies; or
5. New or additional plant necessary to meet changes in federal or state water quality standards, rules, or regulations.

The DSIC Rate can be adjusted semi-annually for eligible plant that was placed in service during the 6-month period ending two months prior to the effective date of the applied-for DSIC Rate.

These filings can be made semi-annually at least 30 days prior to the effective date of either January 1 or July 1 of each year. A water utility calculates the DSIC Rate as a percentage of a customer's total water charges, then adds this charge to the customer's water utility bill. Between rate cases, the applied DSIC revenues are capped at 7.50% of the amount billed to customers under the Commission-approved rates and charges; however, the DSIC Rate applied shall not exceed 5% within any 12-month period.

On May 29, 2019, Artesian Water Company, Inc. ("Artesian") filed an application to adjust its DSIC Rate. Artesian's current DSIC Rate of 5.55% effective January 1, 2019, was approved on December 20, 2018, in Commission Order No. 9311. Artesian is seeking the approval to increase its DSIC Rate from 5.55% to 7.41% with an effective date of July 1, 2019. This increase is based on net additional plant in the amount of \$12,689,113, and an associated semi-annual depreciation expense of \$109,513, placed into service during the six month period of November 1, 2018 through April 30, 2019.

Artesian's actual calculated DSIC Rate is 8.28%, however, as mentioned above, DSIC Rates are capped at 7.50%. Therefore, in order to ensure that the customers receive the benefits of the over-collection in the amount of \$29,866 from Artesian's 2018 DSIC audit and review, Artesian's DSIC Rate was reduced to the statutory limit of 7.50% and then adjusted down to 7.41%.

The increase in the DSIC Rate is expected to result in an increase of the bill of an average Residential customer by approximately \$0.87 per month compared to rates currently in effect.

Staff recommends that the Commission permit this DSIC Rate to become effective July 1, 2019, provided this DSIC Rate shall remain subject to Staff's review, audit, and an annual reconciliation based upon the 12-month period ending December 31, 2019.